SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER
AUDIT DIVISION

Joseph Sawicki, Jr.
Comptroller

An Audit of
Good Samaritan Hospital
Martin Luther King, Jr. Health Center
For the Audit Period
January 1, 2006 through December 31, 2006

Report No. 2009-05
Date Issued: July 7, 2009

This report was prepared by:

The Suffolk County Comptroller's Office-Audit Division
Elizabeth Tesoriero, CPA, Executive Director of Auditing Services

Major contributors to this report were:

Jean Trentini, Chief Auditor
Thomas Macholz, CPA, Senior Auditor
Kathleen Johnsonbaugh, Auditor
Robert Carter, Auditor

Quality Assurance Review performed by:

Mark Cagnetto, Auditor

Joseph Sawicki, Jr.
Suffolk County Comptroller

TABLE OF CONTENTS

LETTER OF TRANSMITTAL

March 30, 2009

Hon. Joseph Sawicki, Jr.
Suffolk County Comptroller
Suffolk County Department of Audit & Control
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway
P.O. Box 6100
Hauppauge, NY 11788

Dear Mr. Sawicki:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), an examination was conducted of the Martin Luther King, Jr. Community Health Center ("Health Center" or "Center") operated by Good Samaritan Hospital ("Hospital"), a member of Catholic Health Services ("CHS"), under contract with the Suffolk County Department of Health Services ("Department"). The Hospital's principal place of business is located at 1000 Montauk Highway, West Islip, N.Y. 11795. The Health Center is located at 1556 Straight Path Road, Wyandanch, N.Y. 11798.

We have audited the accompanying Statement of Expenditures for the period January 1, 2006 through December 31, 2006 (p. 22). This financial statement is the responsibility of the Hospital's management. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the following paragraph, our examination was conducted in accordance with the standards of an examination-level attestation engagement contained in Government Auditing Standards (GAS) issued by the Comptroller General of the United States and, accordingly, included examining on a test basis, evidence supporting the amounts reported in the financial statement. We believe that our examination provides a reasonable basis for our opinion.

A Representation Letter, which is standard auditing procedure in accordance with generally accepted auditing standards, was sent to Good Samaritan Hospital on March 30, 2009. It was requested that the Hospital's Chief Executive Officer and Chief Financial Officer sign the Representation Letter attesting to the fair presentation of financial reports, attesting to compliance with contractual agreements and all applicable laws and regulations, and attesting that there has been no fraud involving management or employees who have significant roles in internal control, or fraud involving others that could have a material effect on the financial reports. Officials of the Hospital did not complete and return the required Representation Letter to the Comptroller's Office.

In our opinion, except for the effects of the deficiency identified in the previous paragraph on our audit, the financial statement referred to in the second paragraph of this letter presents fairly, in all material respects, expenditures incurred and audit adjustments resulting from the Hospital's operation of the Health Center for the contract year ended December 31, 2006, on the basis of Accounting described in Note (1). The financial statement discloses that the Hospital was properly reimbursed by Suffolk County in the amount of $5,775,740.

Our examination also included a review of the billing procedures and the related revenue collection procedures at the Health Center (revenue collected at the Health Center is required to be deposited directly into a Department bank account). In addition, the Department requested an investigation regarding suspected defalcation of revenue at the Health Center. The results of the investigation, separately reported in Audit Report No. 2008-06, determined that $34,019 of self pay patient revenue was recorded in the County's Health Center Information System (HCIS), but was not deposited into the Department's bank account.

In accordance with GAS, we obtained an understanding of internal controls related to the subject matter and whether they have been placed in operation and assessed whether the Hospital and Health Center complied with certain provisions of laws, regulations, and contracts. Testing was less in scope than would be necessary to render an opinion on internal control and compliance and, accordingly, no opinion is expressed. However, we have included in our report the internal control deficiencies and matters of noncompliance identified during our examination that are required to be reported under GAS.

Respectfully,

Elizabeth Tesoriero

Elizabeth Tesoriero, CPA
Executive Director of
Auditing Services

SUMMARY RESULTS OF EXAMINATION

County Funding – As a result of our examination, we determined that the Hospital incurred reimbursable expenditures in the amount of $5,775,740. Our audit identified errors in the Hospital's expenditure claims as explained in the notes (p. 23). However, the adjustments were offset by budgeted anticipated savings and did not result in any change to the Hospital's net reimbursable expenditures.

Compliance with Laws, Regulations and Contracts – Our examination disclosed the following instances of noncompliance that are material to the subject matter and are required to be reported under Government Auditing Standards:

- The Hospital could not provide us with an accurate inventory of County owned furniture, removable fixtures and equipment because the required annual physical count has not been performed at the Health Center for several years. (p. 6).

- There was no obstetrician on duty at the Health Center on 49 of the 249 days the Center was open in 2006 (20%) (p. 7).

- The Health Center did not always follow procedures developed and promulgated by the Department regarding collecting fees from patients who are financially able to make direct payments (p. 8).

Our review of compliance with laws, regulations and contracts also disclosed certain instances of non-compliance that were not required to be reported under Government Auditing Standards (p. 9)

Internal Controls – Our review of internal controls that are material to the subject matter disclosed the following deficiencies that are required to be reported under Government Auditing Standards:

Internal Control Deficiencies related to Revenue Collection

- The Health Center did not always deposit all proceeds received into the designated County bank account within 24 hours of receipt (p. 12).

- Health Center personnel do not properly safeguard funds (cash/checks) collected during the course of the day (p. 12).

- Health Center employees who are responsible for collecting revenue sometimes share passwords for the computer system (HCIS) in order to facilitate the work flow (p. 13).

- There is a key (identified as the "Gold Key") which is kept in the Administrator's office which allows anyone in possession of the Key to open the safe without knowledge of the combination (p. 13).

- Health Center personnel did not verify that all revenue batches entered into HCIS had corresponding deposit slips that agreed to the amounts indicated on the batch summary sheets (p. 14).

- Health Center personnel routinely destroyed encounter forms (also known as face sheets) and batch summary sheets generated at the Center (p. 14).

- The Health Department expressed concern that certain personnel at the Center were not always cooperative in implementing the Department's revenue collection procedures (p. 15).

- The Hospital and CHS do not take an active role in the oversight of revenue collection at the Health Center (p. 15).

Our review of internal controls also disclosed a deficiency which is not significant enough to be classified as a reportable condition (p. 16).

Internal Control Deficiencies related to Payroll

- Employee sign-in sheets were not always completed for one or more days of the pay periods selected for testing (p. 17).

- Work schedules are routinely destroyed after time cards are prepared (p. 17).

- There was no indication that a supervisor reviewed and approved the time cards prior to the cards being sent to the Hospital's Payroll Unit for processing (p. 18).

- We were unable to determine if certain employees received prior supervisory and/or Department Head approval before being considered for overtime compensation (p. 19).

- We found ten instances in which obstetricians' leave time accruals were not charged for leave time taken. (p. 20).

GENERAL INFORMATION

The Martin Luther King, Jr. Health Center, a primary health care facility located at 1556 Straight Path Road, Wyandanch, New York, was established in 1968 through the cooperative efforts of Suffolk County and Good Samaritan Hospital. Good Samaritan Hospital is a voluntary not-for-profit corporation and a member of Catholic Health Services (CHS).

Good Samaritan Hospital entered into a written agreement with Suffolk County to provide health care services at the Health Center. This agreement provides funding of personnel expenses, employee benefits, other expenses and administrative charges. The Health Center provides a patient care service and comprehensive health care program to the community. A full range of services are offered at the Health Center including preventive health care services, pediatric and adult diagnosis treatment, prenatal care and obstetrical services (including deliveries at the Hospital for active Center patients participating in the prenatal program). Referrals are made for services that cannot be provided at the Health Center.

Patients who do not have medical insurance coverage are charged a fee for services rendered. The fee is determined according to a sliding scale prescribed by the Department and based on income level and family size. Payments are also received from Medicare, Medicaid, the Suffolk Health Plan and private health insurance carriers for services provided to eligible patients. However, in accordance with the agreement, no person is denied services because of inability to pay. All payments received by the Health Center are required to be deposited into a bank account maintained by the Department of Health Services.

DETAILED RESULTS OF EXAMINATION

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contract or grant agreements, and abuse that are material to the Statement of Budgeted, Reported, and Audited Expenditures (p. 22) and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Statement was prepared in accordance with all applicable contract provisions, laws and regulations and not for the purpose of expressing an opinion on the internal control over the preparation of the statement or on compliance and other matters; accordingly, we express no such opinions. The examination also included a review of the billing procedures and the related revenue collection procedures at the Health Center.

Compliance

Our examination disclosed the following matters of noncompliance that are material to the subject matter and are required to be reported under Government Auditing Standards:

The Hospital could not provide an accurate inventory of County owned furniture, removable fixtures and equipment because the required annual physical count has not been performed at the Health Center for several years. As a result, the Hospital has also not submitted the contractually required report listing the results of the annual physical count.

Recommendation 1

The Hospital should arrange to have a physical count of the Health Center's inventory as soon as possible. This physical count needs to be performed annually and a certified copy of the inventory delivered to the Department within five days of the date of the physical count as required by the contract.

There was no obstetrician on duty at the Health Center on 49 of the 249 days the Center was open in 2006 (20%). The Agreement states that "The Hospital shall furnish adequate, qualified and trained personnel and other such services as may be necessary to provide health care services..... to Health Center patients." The schedule for the four obstetricians funded pursuant to the County contract provides Monday through Friday coverage at the Health Center and seven day/24 hour coverage at the hospital. However, there appears to be no coverage at the Health Center when the assigned obstetrician takes a sick day or vacation day(s). Therefore, our review indicates that coverage at the Health Center may not be adequate to satisfy the contractual requirement.

Recommendation 2

The Hospital and the Department should negotiate specific details regarding physician coverage for obstetrical / gynecological services and include the agreed upon details in the Agreement. The details should address the issue of whether coverage at the Health Center is required every day the Center is open; another option is to state the minimum number of days per year that is considered adequate coverage.

On days when the obstetrician scheduled to be at the Health Center is out sick or takes a vacation day, we recommend the Hospital and the Department require the

obstetrician scheduled as the back-up for hospital coverage, fill in at the Health Center instead. In the event the obstetrician is needed at the Hospital and has to leave the Health Center, Health Center appointments can be rescheduled.

The Health Center did not always follow procedures developed and promulgated by the Department regarding collecting fees from patients who are financially able to make direct payments. According to the Clerical Coordinator at the Health Center, the policy to ask patients to pay past due amounts and document the request in the General Comments field of HCIS was implemented during 2001, however, the Center did not enforce this policy until June of 2006.

In addition, it is possible for patients who have already been seen by Medical Staff to avoid going to the check out station where payment is usually requested, because the layout of the Health Center is not conducive to requiring a check out process before exiting the building.

Recommendation 3

The Health Center should request payment from each patient of their outstanding balances and current charges before services are provided. The Center employee should also document their request for payment on HCIS. If it is not feasible to request payment for the current visit before services are provided, Center management should request changes in the floor plan that will ensure that patients go through a check out process before exiting the building.

Non-Material Instances of Noncompliance

Our audit also revealed the following instances of noncompliance that are not considered material to the subject matter:

- The Hospital claimed fringe benefit expenditure types that are not specifically identified as allowable costs in Exhibit H of the Agreement. Uniform allowance and sick pay reimbursement were listed on the fringe benefit reconciliation, but these expenditure types were not listed as allowable costs per the Agreement. As a result, we have disallowed all claims submitted that were classified as one of these two expenditure categories, resulting in a disallowance of $10,716.

- The following errors were identified in our testing of the amount claimed for pension expense and resulted in an additional allowance of $7,929.

  - An incorrect rate was used to calculate the pension expense for several Health Center employees. The errors resulted in a disallowance of $8,504. We could not determine the reason for the errors found on the Pension Cost Report.

  - Pension expense was not claimed for eight Health Center employees. The allowable pension amount associated with these eight employees is $18,334.

  - The amount claimed was based on reported payments per the Pension Cost Report totaling $7,141,361 instead of the actual amount of payments made to the Pension Fund totaling $7,075,400. The difference in the amounts is related to a prompt payment discount. The amount claimed for the Health Center did not include a proportionate deduction for the discount. Our recalculation of the adjustment for the discount, which takes into account the two adjustments cited above, resulted in an additional disallowance of $1,901.

- The claims included dental insurance expenses at rates which exceeded the amounts paid by the Hospital for coverage received in the amount of $1,826. The excess charge was due to a rate decrease occurring August 1, 2006. The Hospital continued to claim the older, higher rates and never made an adjustment. As a result, we have disallowed the excess charges.

- CHS was unable to provide us with a copy of the check image for one of five tested payments for workers compensation expense. As a result, we have disallowed $1,951, the portion of worker's compensation expense claimed as a result of the check in question.

- Incorrect supporting documentation was submitted causing a valid expenditure to be disallowed by the Department. We informed the Department of the error and provided the correct supporting invoice and the Department agreed that this was an allowable expense. As a result, an additional allowance of $1,290 was made for Fee for Service expenditures.

- The Hospital claimed certain Fee for Service expenditures without a fully executed agreement between the Hospital and the service provider being approved by the Department. Further inquiry regarding the tested invoices revealed that the telephone answering service provider is a wholly owned subsidiary of the Hospital and that there is no contract between the subsidiary company and the Hospital. Also, we were not able to obtain an adequate explanation regarding how the allocation of this expenditure to the Health Center was calculated. Therefore, all invoices from this vendor, South Shore Management Practice, totaling $1,497 were disallowed.

- An expenditure for medical supplies (testing kits) was incorrectly claimed under the budget category of Fee for Service. We reclassified this expenditure by reducing Fee for Service expenditures by a total of $738 and increasing Other Than Personal Service expenditures by the same amount.

- The Hospital incorrectly classified an invoice from a physician as an Other Than Personal Service expenditure on the Statement of Claimed and Adjusted Expenditures – Form 599. Investigation of this invoice revealed that the charges from this invoice were for cardiology services the doctor provides at the Health Center. This expense should have been claimed as expenditure code 156008 - Outside Physicians. We reclassified this expenditure by reducing Other Than Personal Service expenditures by a total of $800 and increasing Outside Physicians (Fee for Service) expenditures by the same amount.

- Claims included reimbursement to an employee for items the employee purchased and had delivered to her personal residence. The Health Center was unable to provide us with any documentation that would verify that these items were ever delivered to, or used by, the Health Center. Accordingly, our audit adjustments included a disallowance to Other Than Personal Services expenditures of $68.

- The Hospital did not submit its' claims within forty days after the end of the month in which the expenses were incurred as required by the Agreement. We noted this finding for nine of eleven claims (82%) submitted by the Hospital. In addition, one claim submitted on 2/1/07 included claims for expenses incurred during the last three months of the contract year. Therefore, the claims received for two of these three months were received by the Department more than forty days after the end of the month in which the expenses were incurred.

Recommendation 4

The Hospital should comply with all contract provisions and regulations regarding record retention, claims submission and related financial reports. We recommend that a quality assurance review of claims be performed by CHS personnel before the claims are submitted to the Department to ensure the accuracy and completeness of claims.

We further recommend that the Department be contacted whenever additional information or clarification regarding contract provisions is needed. Also, if the Hospital believes that a specific contract provision is unrealistic or unnecessary, the Hospital should bring the issue to the Department's attention and request a contract modification.

The Hospital was late in submitting the list of interns/residents who rotate through the Health Center to the Department. The list for the period July 1, 2005 through June 30, 2006 was dated July 18, 2005, which is forty-eight days after the due date of June 1, 2005. The list for the period July 1, 2006 through June 30, 2007 was dated June 8, 2007 which is more than one year after the due date of June 1, 2006.

Recommendation 5

The Hospital should submit the list of the Interns/Residents who rotate through the Health Center by June 1st of each year as required by the contract.

Our review of the Hospital and Health Center's internal controls that are material to the subject matter disclosed the following deficiencies that are required to be reported under Government Auditing Standards:

Internal Control Deficiencies related to Revenue Collection

The Health Center did not always deposit all proceeds received into the designated County bank account within 24 hours of receipt. Our analysis of revenue collection and the corresponding bank deposits revealed that the Health Center collected revenue totaling $114,459 on 225 separate days, yet only made deposits into the Department's bank account on 46 days during 2006.

Recommendation 6

The Health Center should deposit all proceeds received into the Department's bank account within 24 hours of receipt to properly safeguard revenue collections.

Health Center personnel do not properly safeguard funds (cash/checks) collected during the course of the day. Funds collected by Health Center employees are stored in an envelope until the batch is closed and the funds are brought to the safe. Batches were closed at the discretion of the employee. When batches remained open for break and/or lunch periods, the funds were left in an envelope in the front desk area which provides an opportunity for theft to occur.

Recommendation 7

All funds should be properly secured in the front desk area by means of either a safe or a cash register. Furthermore, batches should be closed and funds put into the safe

prior to staff breaks being taken.

Health center employees who are responsible for collecting revenue sometimes share passwords for the computer system (HCIS) in order to facilitate the work flow. The lack of an audit trail for revenue transactions makes it difficult to trace transactions to the employee who processed them in the event that errors or misappropriation occur.

Recommendation 8

The Health Center should implement a policy that forbids the sharing of system passwords to provide accountability in the event of cash shortages.

There is a key (identified as the "Gold Key") which is kept in the Administrator's office which allows anyone in possession of the Key to open the safe without knowledge of the combination. It is therefore possible for anyone with access to the Gold Key to open the safe at any time and misappropriate funds.

Recommendation 9

The Hospital should consider keeping the Gold Key at an off-site location or in a more secure location at the Center in order to reduce the risk of an unauthorized employee obtaining access to the safe. Furthermore, the Hospital should keep a log and require the Health Center's Administrator to sign for both the Key's removal and return.

Health Center personnel did not verify that all revenue batches entered into HCIS had corresponding deposit slips that agreed to the amounts indicated on the batch summary sheets. The failure to reconcile revenue batches entered into the HCIS system with bank deposits increases the risk that errors or misappropriation could occur and not be detected.

Recommendation 10

To strengthen internal controls over the revenue collection process, an employee who does not have access to cash collections should be assigned responsibility for verifying that all batch summary sheets have a corresponding receipted bank deposit slip.

Health Center personnel routinely destroyed encounter forms (also known as face sheets) and batch summary sheets generated at the Center. The encounter forms serve as the record of the services provided to the patient on a particular day as well as the type of insurance coverage the patient has. Batch summary sheets, generated by HCIS, are reports that list the total amount of funds collected while that batch was open. The batch summary sheets are crucial in order to determine how much the Center should be depositing on a daily basis. During the audit period, the encounter forms and batch summary sheets were destroyed ninety days after the date created.

Recommendation 11

The Health Center should keep its financial and all other program records available for inspection and evaluation by properly authorized personnel of the County as required by the Agreement. These records should be kept for at least six (6) years from the date of final payment for the contract period. If there are duplicate records retained

by the Department, the Health Center can obtain written permission from the Department to dispose of their copy.

The Health Department expressed concern that certain personnel at the Center were not always cooperative in implementing the Department's revenue collection procedures. They also reported to us that directives were sometimes ignored and that other procedures were implemented without the Department's authorization.

Recommendation 12

The Hospital should provide sufficient oversight to ensure that the Department's procedures and directives are complied with. Specific suggestions are stated in Recommendation 13.

The Hospital and CHS did not take an active role in the oversight of revenue collection at the Health Center. It appears that the Hospital and CHS relied on their staff at the Health Center to monitor revenue collections and deposits and, therefore, did not realize that internal control deficiencies existed, that proper procedures were not being followed, and that defalcations of cash were occurring without detection.

Recommendation 13

The Hospital and/or CHS should take a more active role in the oversight of revenues collected at the Health Center. This could be done by assigning an employee to be a liaison to the Department (for the purpose of understanding the County's revenue collection procedures and being informed of any updates) and periodically visiting the

Health Center to determine if procedures are being followed. Also, the liaison should consult with the Department to determine their role in routine oversight procedures that they could be responsible for. If staff at the Health Center are aware that revenue collections are being monitored, the expected results will be as follows: 1) it is more likely that proper procedures will be followed, 2) the risk of misappropriation will decrease, 3) revenues will be properly safeguarded, and 4) revenue collections may increase because staff will be more likely to request self pay fees and co-payments from patients.

We also noted the following internal control structure deficiency that, we believe, is not significant enough to be classified as a reportable condition:

The Health Center does not have a form available to patients that they may use to request a refund of overpayment from Health Services. According to the Clerical Coordinator at the Health Center, the patients are informed that they may apply the excess funds toward a future visit to the Health Center. Patients are not provided with the opportunity to request a refund because the appropriate form is not available.

Recommendation 14

The Health Center should obtain the Request for Refund forms from the Department and issue a form to any patient with an outstanding credit balance who requests one.

Internal Control Deficiencies related to Payroll

Employee sign-in sheets were not always completed for one or more days of the pay periods selected for testing. Health Center policy requires employees to complete sign-in sheets on a daily basis. Sign-in sheets are the basis for the preparation of official time cards. We noted that for seven of the seventy-eight employees selected for testing (9%) sign-in sheets were not always filled out for each day of the pay period. Five of the seven employees were physicians. When employees do not properly complete their time sheets there is an increased opportunity that employees will be paid more than they are entitled to due to either errors or fraud.

In addition, the sign-in sheets do not contain a designated area for the total hours to be paid and provision for the supervisor's approval and signature.

Recommendation 15

The sign-in form should be revised to include a designated area for the total hours to be paid and the supervisor's approval and signature. Each employee should sign in at the beginning of their work day and sign out at the end of every scheduled work day. Each employee should have a designated supervisor and the supervisor should review and approve the sign-in sheets that he/she is responsible for. Also, since the Medical Director is cognizant of the physicians' work schedules, we recommend that the Medical Director be assigned the responsibility for approving the sign-in sheets for all physicians.

Work schedules are routinely destroyed after time cards are prepared. The schedules are discarded by the employee who prepares the time cards. Since payroll is

the largest expense of the Health Center, it is important to retain all payroll records that support the amounts claimed to the County.

Recommendation 16

The Health Center should keep its payroll records available for inspection and evaluation by properly authorized personnel of the County as required by the Agreement. These records should be kept for at least six (6) years from the date of final payment for the contract period. To further minimize space requirements for storing records we suggest storing records such as work schedules on a hard drive or network file. The computerized file should state the earliest destruction date.

There was no indication that a supervisor reviewed and approved the time cards prior to the cards being sent to the Hospital's Payroll Unit for processing. When there is no supervisory review of the time cards there is an increased opportunity that employees will be paid more than they are entitled to due to either errors or fraud.

Recommendation 17

The Health Center Administrator should review the sign-in sheets to verify that they are complete and contain a supervisor's signature. Since the time cards are prepared by one employee based on the sign-in sheets, employee call ins etc., it is important that the Administrator compare the sign-in sheets to the time cards to verify the accuracy of the time cards. The Administrator should also initial the time cards to indicate that he/she reviewed and approved the amounts noted on the time cards prior to the time cards being sent to Payroll for processing.

We were unable to determine if certain employees received prior supervisory and/or Department Head approval before being considered for overtime compensation. The Hospital's Human Resource Policy and Procedures Manual states that "employees must receive prior supervisory and/or Department Head approval before being considered for any form of overtime compensation". This approval is usually documented by the proper preparation of an Overtime Authorization Form. Our testing revealed that for three out of eight employees tested, it appears that overtime procedures were not followed. Details regarding the deficiencies noted for the three employees' overtime are as follows:

Employee No. 1- An Overtime Authorization Form was not signed by the employee's supervisor. The employee was paid for 22.5 hours of overtime.

Employee No. 2- The Health Center was unable to provide us with the Overtime Authorization Form. The ½ hour of paid overtime was not supported by the sign-in sheet and both the sign-in sheet and time card were not initialed by the employee's supervisor.

Employee No. 3- The Health Center was unable to provide us with the Overtime Authorization Form. This employee's time card was initialed by the employee's supervisor, thus indicating knowledge and approval of the 2.5 hours overtime. However, we cannot be certain that approval was given prior to the employee working the overtime.

Recommendation 18

Supervisors should utilize the Overtime Authorization Forms for all employees who will receive payment for overtime. Administration should review and initial all Overtime Authorization Forms as required. The Health Center should retain all documentation supporting claims submitted to the County for at least six (6) years as required by the Agreement.

We found ten instances in which obstetricians' leave time accruals were not charged for leave time taken. In all ten instances, the obstetrician did have sufficient leave time available when the leave time was taken, therefore no monetary adjustment is deemed necessary. We brought this matter to the attention of the Hospital's payroll department and they confirmed that the necessary accrual adjustments were made.

Recommendation 19

As stated previously in Recommendation No. 15, the Medical Director should be responsible for approving all sign-in sheets for physicians since he/she is cognizant of their work schedules. The approval process should include verifying that leave time is properly noted on the sign-in sheet for each day the employee was absent.

This report is intended solely for the information and use of the Health Center's management, including the Hospital and CHS, and responsible Suffolk County officials and is not intended to be used by anyone other than these specified parties.

SCHEDULE

Note: The accompanying schedule is an integral part of this report and should be read in conjunction with the Letter of Transmittal (p.1)

Schedule

Good Samaritan Hospital
Martin Luther King, Jr. Health Center
Statement of Expenditures
For the Period January 1, 2006 - December 31, 2006

Notes	Category	Amount Budgeted	Amount Reported	Audit Allowance	Amount Over (Under) Reported
	Personnel Services	$5,838,722	$ 4,592,774	$4,592,774	-
(2)	Employee Benefits	1,401,293	1,191,241	1,184,677	6,564
(3)	Fee for Services	70,301	51,162	51,017	145
(4)	Other Than Personal Services	218,269	111,661	111,531	130
	Total Direct Expenditures	7,528,585	5,946,838	5,939,999	6,839
(5)	Administrative Charge	156,856	134,395	134,298	97
	Total Gross Expenditures	7,685,441	6,081,233	6,074,297	6,936
	Less: Anticipated Savings	1,909,701	305,493	298,557	6,936
	Net Contract	$5,775,740	$ 5,775,740	$5,775,740	$ (0)

See Notes to Schedule (p. 23)

Notes to Schedule
Good Samaritan Hospital- Martin Luther King, Jr. Health Center
For the Period January 1, 2006 through December 31, 2006

(1) **Basis of Accounting** – The Hospital prepares its Statement of Claimed and Adjusted Expenditures – Form 599 on the basis of cash disbursements. All expenses are recognized when paid rather than when the obligation is incurred.

(2) The disallowance for Employee Benefits was calculated as follows:

Description	Amount
Benefits not reimbursable per Agreement (p. 9)	(10,716)
Allowance related to pension expense (p. 9)	7,929
Incorrect dental insurance allocation (p. 9)	(1,826)
Costs without adequate documentation (p. 9)	(1,951)
Amount Disallowed	$ (6,564)

(3) The disallowance for Fee for Services was calculated as follows:

Description	Amount
Valid expense disallowed by Department (p. 10)	$ 1,290
Costs paid to contractor without a fully executed agreement in place (p. 10)	(1,497)
Valid expense incorrectly classified (p. 10)	(738)
Valid expense incorrectly classified (p. 10)	800
Amount Disallowed	$ (145)

(4) The disallowance for Other Than Personal Service Expenditures was calculated as follows:

Description	Amount
Expense claimed without evidence of items purchased being utilized by the Health Center (p. 10)	$ (68)
Valid expense incorrectly classified (p. 10)	738
Valid expense incorrectly classified (p. 10)	(800)
Amount Disallowed	$ (130)

(5) The contract stated Administrative Charge is calculated based on direct expenses as follows: 1st $750,000 @ 7% -- 2nd $750,000 @ 2.5% -- balance @ 1.42%. The adjustment to the Administrative Charge is 1.42% of the net disallowances described in Notes 2, 3 and 4.

Exit Conference Report

The Hospital neither requested an exit conference nor submitted a formal response to the audit. Audit & Control contacted the Hospital on numerous occasions, subsequent to the audit response due date, in an attempt to ensure that the Hospital did not intend to respond to the audit. However, Hospital officials did not return our phone calls or respond to e-mails regarding the audit report.

Since the Hospital did not issue a response to the audit report, the audit report is hereby issued as originally drafted.

We encourage the Suffolk County Department of Health Services to contact Hospital officials and work with them to implement our recommendations.